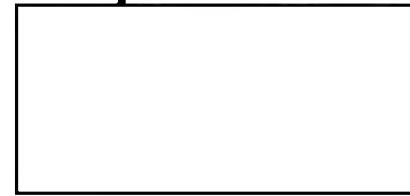


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Egypt-Israel: ISRAELI AND EGYPTIAN MILITARY NEGOTIATORS WERE AGAIN UNABLE TO RESOLVE THEIR DIFFERENCES OVER THE GUIDELINES FOR A DISENGAGEMENT AGREEMENT WHEN THEY MET AT GENEVA ON JANUARY 2. THE TWO SIDES WILL CONTINUE THEIR DISCUSSIONS TODAY, BUT UN GENERAL SIILASVUO, WHO SUPERVISES THE MEETINGS, FEARS THAT THE NEGOTIATING ATMOSPHERE WILL BEGIN TO SOUR IF THE NEGOTIATORS DO NOT SOON SHIFT THEIR FOCUS FROM GENERAL PRINCIPLES TO SPECIFIC PROPOSALS.

THE CHIEF OBSTACLE TO AGREEMENT CURRENTLY CENTERS ON ISRAEL'S DEMAND THAT ANY ISRAELI WITHDRAWAL BE ACCOMPANIED BY A RECIPROCAL EGYPTIAN CONCESSION. FOLLOWING THE EGYPTIAN DELEGATE'S REJECTION OF THIS CONCEPT AT WEDNESDAY'S MEETING,

THE ISRAELI DELEGATE OUTLINED ISRAEL'S DEFINITION OF "RECIPROCITY." NOTING THAT THE DEPTH OF ANY ISRAELI WITHDRAWAL EAST OF THE SUEZ CANAL WOULD DEPEND ON THE STRENGTH OF THE EGYPTIAN FORCES REMAINING ON THE EAST BANK, THE ISRAELI INSISTED THAT THERE MUST BE SOME THINNING OF THESE FORCES. AGREEMENT IS ALSO NECESSARY, HE SAID, ON EXACTLY HOW MANY DIVISIONS AND HEAVY WEAPONS THE EGYPTIANS WILL BE PERMITTED TO HAVE.

ALTHOUGH GENERAL SIILASVUO EXPRESSED SOME PESSIMISM AT THE PROGRESS OF THE NEGOTIATIONS THUS FAR, THE PROPOSALS BY THE ISRAELIS FOR A THINNING OF EGYPTIAN FORCES APPEAR MORE FLEXIBLE THAN THEIR PUBLIC STATEMENTS. THE FORMER CHIEF ISRAELI NEGOTIATOR AT THE KILOMETER 101 TALKS INDICATED IN A WEEKEND NEWSPAPER INTERVIEW, FOR INSTANCE, THAT A MERE THINNING OF FORCES WOULD NOT BE SUFFICIENT AND THAT, IF ISRAEL WITHDRAWS TO THE EAST BANK, THE EGYPTIANS SHOULD NOT BE PERMITTED TO RETAIN ANY MILITARY FORCES THERE. THE EGYPTIANS APPARENTLY DID NOT COMMENT ON THE ISRAELI PROPOSALS AT THE JANUARY 2 MEETING, BUT THEY HAD INDICATED AT THE EARLIER KILOMETER 101 TALKS THAT THEY MIGHT ACCEPT SOME THINNING OF FORCES.

(continued)

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A POSSIBLE CONFRONTATION OVER ISRAELI BLOCKING OF SUPPLY CONVOYS TO THE EGYPTIAN THIRD ARMY IS BEING THREATENED IN THE UN. ACCORDING TO UN REPORTS, THE ISRAELIS HAVE NOT ALLOWED THE SUPPLY CONVOYS THROUGH FOR TWO DAYS, AND THE EGYPTIAN REPRESENTATIVE IS THREATENING TO CALL AN EMERGENCY MEETING OF THE SECURITY COUNCIL TO CONSIDER THE ISSUE IMMEDIATELY. ASSISTANT SECRETARY GENERAL URQUHART BELIEVES THAT AN ACRIMONIOUS SECURITY COUNCIL MEETING IS IN PROSPECT IF THE CONVOY IS BLOCKED AGAIN TODAY.

* * * *

Military activity fell off considerably yesterday following the heavy firing reported on January 2.

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OPEC-OECD: AN EFFORT IS UNDER WAY TO PROMOTE A MEETING BETWEEN THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC) AND THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD). SUCH A DIALOGUE IS BEING SOUGHT BY SOME OECD COUNTRIES TO RESOLVE THE PROBLEM OF SPIRALING OIL PRICES, AND BY OPEC MEMBERS TO OBTAIN FAVORABLE TERMS FOR DEVELOPMENT AND TRADE. INTEREST IN EARLY OPEC-OECD DISCUSSIONS, IF ACTIVELY PURSUED, MIGHT PREJUDICE US EFFORTS TO GIVE PRIORITY TO THE ESTABLISHMENT OF AN ENERGY ACTION GROUP WITH A MORE RESTRICTED MEMBERSHIP.

BRITAIN REPORTEDLY IS SEEKING SUPPORT IN SEVERAL CAPITALS FOR A POSITIVE RESPONSE TO THE SHAH OF IRAN'S PROPOSAL ON DECEMBER 23 FOR A MEETING BETWEEN OPEC AND OECD. THE BRITISH BELIEVE IT IS IMPORTANT THAT THERE BE A RESPONSE PRIOR TO JANUARY 7, WHEN OPEC MEMBERS MEET IN GENEVA TO DISCUSS LONG-RANGE PRICING POLICIES.

IRAN'S MINISTER OF FINANCE SUGGESTED TO THE US AMBASSADOR ON JANUARY 2 THAT THE OECD SECRETARIAT INVITE OPEC TO ENGAGE IN TALKS. THE MINISTER EVIDENTLY THUS HOPES TO GET AROUND OPPOSITION BY IRAQ AND KUWAIT TO OPEC'S TAKING THE INITIATIVE IN CALLING FOR A CONFERENCE.

IN NEW DELHI, OPEC SECRETARY GENERAL KHENE CALLED PUBLICLY FOR OECD-OPEC TALKS AIMED AT LOWERING THE PRICES CHARGED BY THE INDUSTRIALIZED COUNTRIES FOR THEIR EXPORTS. KHENE CALLED THE OIL PRICE RISE A PART OF THE DEVELOPING WORLD'S FIGHT AGAINST "ECONOMIC AGGRESSION" AND SAID THE PRICE OF OIL WOULD BE LOWERED IF THE INDUSTRIAL NATIONS LOWERED THE COST OF THEIR EXPORTS.

THE OECD SECRETARIAT IS PREPARED TO BEGIN TALKS WITH OPEC, BUT THE ATTITUDE OF THE MEMBER STATES, WHO WOULD HAVE TO AUTHORIZE A RESPONSE, IS UNCERTAIN. AT AN OECD MEETING ON DECEMBER 28, ITALY ENDORSED THE IDEA OF OECD-OPEC TALKS, NOTING THAT THEY SHOULD NOT INTERFERE WITH MEMBER COUNTRIES' BILATERAL ARRANGEMENTS WITH OIL-PRODUCING COUNTRIES OR COOPERATION IN OTHER INTERNATIONAL FORUMS. THE FRENCH DELEGATE, HOWEVER, STRESSED THE NEED TO AVOID HASTY MOVES TO ESTABLISH CONTACT WITH OPEC.

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